



# COUNTY OF LOS ANGELES DEPARTMENT OF HUMAN RESOURCES

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**MICHAEL J. HENRY**  
DIRECTOR OF PERSONNEL

March 8, 2005

To: Each Supervisor

From: Michael J. Henry  
Director of Personnel

David E. Janssen  
Chief Administrative Officer

Thomas L. Garthwaite, MD  
Director and Chief Medical Officer

Subject: **COMPENSATION FOR HOSPITAL ADMINISTRATORS**

On February 8, 2005, on motion of Supervisor Burke, your Board instructed the Director of Personnel, working in concert with the Director of Health Services, with oversight by the Chief Administrative Officer, to obtain compensation information, including salary and benefits for Chief Executive Officers, or their equivalents, at public and private healthcare organizations comparable to the positions at the Department of Health Services' facilities. In addition, you instructed the Director of Personnel to review and assess the comparable compensation data obtained in order to determine whether existing County compensation levels should be modified in order to attract the highest qualified hospital administrators. Furthermore, you instructed the Directors of Personnel and Health Services and the Chief Administrative Officer to jointly report back to the Board within 30 days with their findings and recommendations.

## **SURVEY RESULTS**

The administrators of County hospitals are typically the Hospital Administrator II classification. The one exception is the Chief Executive Officer, LAC+USC Medical Center.

### **Public Sector Survey Data**

We have surveyed other California counties which have County-operated hospitals. As outlined in Attachment I, the data indicates that the current salary range and maximum cash compensation (salary plus benefits provided in cash) for Hospital Administrator II is not in line with other California county hospital administrators. We recognize that several of the positions in the attached survey not only administer hospitals but also perform other executive functions. While there are various organizational structures in the other counties, they all administer hospitals in a public environment.

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The County of Los Angeles class of Hospital Administrator II has a maximum cash compensation (salary plus benefits provided in cash) of \$195,515, while the average maximum cash compensation of the hospital administrators of the other counties is \$223,615. This represents about 15% more than Los Angeles County's Hospital Administrator II class.

#### **Private Sector / Other Survey Data**

Attachment II is the data available through various nationwide surveys of private sector hospitals done by consultant firms such as Watson Wyatt. Veterans Administration hospitals are also included in the survey results. We also contacted a large number of private hospitals in Southern California; however, they would not provide salary and benefit information, e.g., Cedars Sinai, Long Beach Memorial, Centinela, etc.

This data in Attachment II clearly indicates that the salary for the Hospital Administrator II class lags behind hospital administrators in the private sector. However, as noted in the comments section of the attachment, comparisons between private and public sector hospital administrators are difficult due to significant differences in organizational structure, reporting relationships, and scope of responsibilities. This information has been shared with the Navigant consultants at King/Drew Medical Center.

#### **PROPOSED ACTION**

As the result of the comparison of the maximum cash compensation (salary plus benefits provided in cash) of California county hospital administrators, which indicates that our class of Hospital Administrator II is below the average, we believe it is appropriate to adjust the top end of the salary range for the Hospital Administrator II class to 50% above the control point. This will result in an adjustment of the top end of the salary range from \$159,604 to \$199,506. This will also result in an increase in maximum cash compensation (salary plus benefits provided in cash - megaflex and County match to the deferred earnings and savings plans) from \$195,515 to \$244,394, which will bring the Hospital Administrator II class in line with hospital administrators in other California counties which operate public hospitals.

This adjustment will require amending the County Code through an ordinance. We are currently developing a Board letter with a recommended adjustment to the salary range of the Hospital Administrator II, which will be filed during the month of March. Because of the unique issues regarding the King/Drew Medical Center, which could not be taken into consideration as part of the hospital administrator survey data, we will also be recommending an ordinance amendment to allow the Hospital Administrator's salary to be set beyond the recommendation included for other Hospital Administrator IIs. In addition, we will recommend that this authority be extended to include the Chief Executive Officer, LAC+USC Medical Center to make adjustments for salary compression.

Each Supervisor  
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If you have any questions, please contact Mike Henry at (213) 974-2406.

MJH:DEJ  
TLG:CH

Attachments

c: Executive Office, Board of Supervisors  
County Counsel

H:HospAdmIIImoBOS.305

**HOSPITAL ADMINISTRATOR COMPENSATION SURVEY – CALIFORNIA COUNTY HOSPITALS**  
(Annualized data as of 3/01/05)

COUNTY	COMPARISON TITLE	REPORTS TO	FACILITY COMPARATIVES			SALARY RANGE			Additional Cash ** Benefits	Maximum Cash Compensation
			No. of Employees	No. of Beds	Type Of Facility *	Minimum	Midpoint	Maximum		
Los Angeles	Hospital Administrator II (UC) (R15)	Director of Health Services	2,500 (KDMC)	225	Network Hospital	\$106,403	\$133,004	\$159,604	\$35,911	\$195,515
Kern	CEO, Kern Medical Center*	Chief Administrative Officer	1,500	222	Stand Alone Hospital	\$121,476	\$134,856	\$148,236	\$24,776	\$173,012
Monterey	CEO, Natividad Medical Center*	Board of Supervisors	775	172	Stand Alone Hospital	\$163,452	\$188,028	\$212,604	\$42,330	\$254,934
Riverside	Hospital Administrator	Chief Executive Officer (= County CAO)	1,760	364	Stand Alone Hospital	\$123,945	\$173,298	\$222,651	\$31,283	\$253,954
San Bernardino	Director, Arrowhead Reg. Medical Center*	Chief Administrative Officer	2,700	373	Stand Alone Hospital	n/a \$202,908 n/a (flat rate effective 7/10/04)			\$51,246	\$254,154
San Francisco	Administrator, San Francisco General Hospital Medical Center	Director of Health Services	2,525	639	Network Hospital	\$172,848	\$190,580	\$210,106	\$9,642	\$219,748
						(Note: Five step range)				
San Joaquin	Chief Deputy Director, San Joaquin General Hospital (=CEO)	Director of Health Services	1,100	236	Stand Alone Hospital	\$95,981	\$105,811	\$116,659	\$42,789	\$159,448
						(Note: Five step range)				
Santa Clara	Director, Santa Clara Valley Medical Center	Executive Director, Santa Clara Valley Health & Hospital System	5,769	524	Stand Alone Hospital	\$158,217	n/a	\$203,026	\$47,032	\$250,058
† SURVEY AVERAGES of RANGE MINIMUM, MIDPOINT and MAXIMUM						\$139,320	\$165,914	\$185,547		
† SURVEY AVERAGES of BASE PAY, ADDITIONAL CASH								\$188,027	\$35,585	
† SURVEY AVERAGE of TOTAL CASH COMPENSATION										\$223,615

\* Network Hospital = part of a group of hospitals and/or clinics (top executive usually reports to the department head); Stand Alone Hospital = no affiliated hospitals and/or clinics (top executive serves as the department head)

\*\* "Additional cash benefits" includes only cash or cash-equivalent compensation, such as our Megaflex plan, car allowance, employee pension contribution paid by the employer, deferred compensation match, etc. Standard employee benefits such as vacation, sick leave, employer costs for pension/retirement plans, workers compensation, etc., were not included.

† Survey averages do not include Los Angeles County data. Flat rate salary is considered a midpoint.

**PUBLISHED SURVEYS AND OTHER PAY RESOURCES**  
(Eff.3/01/05)

*Published Private Sector Base Pay Surveys; reported in thousands (000s)*

Survey Resource	Survey Title	Facility Comparatives	Annual Base Pay Range			Weighted Avg. Pay	Comments
			Low/25 <sup>th</sup> percentile	Median/ midpoint	High/75 <sup>th</sup> percentile		
Watson-Wyatt- Pacific Southwest Sub-region	CEO/Administrator Survey	2,000 – 5,000 F-T-Es	\$130.9	\$228.7	\$354.3	\$245.8	Watson-Wyatt data comes from “non-government, not-for-profit” facilities; Pacific sub-region has only 6 relevant salaries
Watson-Wyatt- National	CEO/Administrator Survey	2,000 – 5,000 F-T-Es	\$125.0	\$218.8	\$311.8	\$233.7	Data is from “non-government, not-for-profit” facilities; Nationwide, 63 relevant salaries
HayGroup for American College of Healthcare Executives (ACHE)	Top Executive	None provided				\$250.0	While ACHE is considered reliable, the survey does not define who was surveyed, nor give any indicators enabling a fair comparison to L.A. County’s Hospital Administrator II
Hospital & Healthcare Compensation Service’s 34 <sup>th</sup> Annual Hospital Salary and Benefits Report	Top Executive	Includes larger and multi-hospital systems				\$328.3	Survey is <b>not considered comparable</b> (survey is for <b>hospital systems</b> - primarily private sector “system-level executives – those responsible for running more than one hospital”)

*Information from Other Local Hospitals; reported in thousands (000s)*

University of California	Chief Executive Officer	Single hospital up to multi-hospital Vice Chancellor	\$243.8	n/a	\$548.6	Not Disclosed	Survey <b>may not be comparable</b> (UC does not disclose incumbent data, except for their “public officials”, e.g., Vice Chancellor/ multi-hospital CEO, who is paid \$520k)
VA Medical Center Long Beach	Director	426 Beds; 1,329 EEs	\$131.0	n/a	\$181.0	\$166.9 (Actual pay)	Only Long Beach provided actual pay data; other VA hospitals declined to provide data as against hospital policy
VA Medical Center West L.A.	Director	989 Beds; 3,881 EEs	\$104.9	n/a	\$158.1	Not Disclosed	Actual pay is confidential; other VA hospitals declined to provide data as against hospital policy

*Note: Of the 26 area hospitals of similar size and scope to King-Drew Medical Center (200 – 350 beds or 2,500 employees) that we contacted, both private sector and not-for-profit, only the VA Medical Centers agreed to provide any data to us.*



MINUTES OF THE BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Violet Varona-Lukens, Executive Officer  
Clerk of the Board of Supervisors  
383 Kenneth Hahn Hall of Administration  
Los Angeles, California 90012

Chief Administrative Officer  
Director of Personnel  
Director of Health Services

At its meeting held February 8, 2005, the Board took the following action:

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Supervisor Burke made the following statement:

"As a result of its ongoing review of the King/Drew Medical Center, Navigant is recommending major changes in the governance and leadership of the hospital. In view of retention and recruitment needs, it would be prudent for this Board to evaluate the compensation for hospital administrators system wide. The Los Angeles County public healthcare system deserves the highest qualified management available in order to ensure prompt and efficient resolution of all problems and to provide quality healthcare.

"A critical component to secure the best available administrators will be the County's ability to attract well qualified and experienced managers in the healthcare industry. In order to successfully attract and retain the best administrators and managers, the County must be prepared to provide compensation comparable to similar institutions and commensurate with responsibilities."

Therefore, on motion of Supervisor Burke, seconded by Supervisor Knabe, unanimously carried, the Board took the following actions:

1. Instructed the Director of Personnel, working in concert with the Director of Health Services, with oversight by the Chief Administrative Officer, to obtain compensation information, including salary and benefits for Chief Executive Officers, or their equivalents, at public and private healthcare organizations comparable to positions at the Department of Health Services' facilities;

(Continued on Page 2)

9 (Continued)

2. Instructed the Director of Personnel to review and assess the comparable compensation data obtained in order to determine whether existing County compensation levels should be modified in order to attract the highest qualified hospital administrators; and
3. Instructed the Directors of Personnel and Health Services and the Chief Administrative Officer to jointly report back to the Board within 30 days with their findings and recommendations.

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Copies distributed:  
Each Supervisor  
County Counsel

AGN. NO. \_\_\_\_\_

**MOTION BY SUPERVISOR YVONNE B. BURKE**

**FEBRUARY 8, 2005**

As a result of its ongoing review of the King Drew Medical Center, Navigant is recommending major changes in the governance and leadership of the hospital. In view of retention and recruitment needs, it would be prudent for this Board to evaluate the compensation for hospital administrators system-wide. The Los Angeles County public healthcare system deserves the highest qualified management available in order to ensure prompt and efficient resolution of all problems and to provide quality healthcare.

A critical component to secure the best available administrators will be the County's ability to attract well qualified and experienced managers in the healthcare industry. In order to successfully attract and retain the best administrators and managers, the County must be prepared to provide compensation comparable to similar institutions and commensurate with responsibilities.

**I THEREFORE MOVE THAT** the Board of Supervisors direct the Department of Human Resources, working in concert with the Department of Health Services with

- M O R E -

**MOTION BY SUPERVISOR YVONNE B. BURKE**

**MOTION**

BURKE	_____
YAROSLAVSKY	_____
KNABE	_____
ANTONOVICH	_____
MOLINA	_____

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oversight by the Chief Administrative Office, to obtain compensation information, including salary and benefits for Chief Executive Officers, or their equivalent, at public and private healthcare organizations comparable to positions at L.A. County health facilities; and

**I FURTHER MOVE THAT** this Board direct DHR to review and assess the comparable compensation data obtained in order to determine whether existing County compensation levels should be modified in order to attract the highest qualified hospital administrators; and

**FINALLY I MOVE THAT** this Board direct DHR, DHS and CAO to jointly report back their findings and recommendations to this Board within 30 days.

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(YBB:GP:ecKDMCCompensation.mot.020105)